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The Feedback of Inequality: Policy Patterns, Power Resources and Institutional Redesign in the United States

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ABSTRACT

In politics the rules of the policy formation process are endogenous to the political process itself and play an important role in determining which social group wins or loses. As a result redesigning institutions is a valuable policy objective for interest groups. Altering the institutions governing the rules of politics creates the possibility for a strong positive feedback loop: the social group determining the output of the policy formation process can change the rules of the policy formation process to solidify its own position. To substantiate this I examine the policy objectives of interest groups in the United States using the Historical Institutional method. By combining the Power Resource Theory and institutional theories the asymmetric power relation between corporate interest groups and unions is linked to institutional redesign that favors the more powerful corporate interest groups. Corporate interest groups use their influence to keep the system of interest representation unorganized and financial contributions to political entities unregulated. By realizing these policy objectives corporate interest groups have ensured that the rules of influencing the policy formation process are in their favor. These favorable rules have increased the efficiency of converting their power resources into influence and thereby increase the probability of corporate interest groups being successful in future contests over policies.

Introduction

Income inequality is without a doubt a trending topic; even conservative organizations as IMF and the World Economic Forum have given the debate about income inequality a prominent position. The debate is important as income inequality slows economic growth and undermines long-term economic and political stability (Ostry, Berg, and Tsangarides 2014). The problem will only get worse for Western countries since income inequality has been rising steadily (see Table 1)[1]. However, the response to rising income inequality has not been the same in all regions and different patterns of redistributive policies can be identified[2]. In Anglo-American countries, like the United States, Great Britain and Canada, primary and post-tax income is unequally distributed. At the same time the redistributive efforts of these governments have increased only relatively little in the past decades. Approximately the opposite can be found in Nordic countries like Sweden, Denmark and Norway.

[1] Income inequality refers to the P90/P10 ratio of disposable incomes after taxes and redistribution; primary incomes to the total income generated on the market through wages and investment income; and redistribution to the percentage of GDP spent by the state on public expenditures through tax rebates, subsidies, public services and welfare.

[2] A policy pattern is the continuation of a policy or comparable polies over a prolonged period of time.

Primary income is distributed relatively equally in these countries and their redistributive efforts have increased faster than in most other countries (Barth and Moene 2009). Lindert (2004) has labeled this counter-intuitive relationship the "Robin Hood Paradox": redistribution is mostly absent where it is needed the most and present where it is needed the least.

The exact nature of the pattern of primary income distribution and redistributive policies is disputed. Generally speaking there are three different theories explaining why governments enact redistributive policies. Explanations using the voter-politician connection based on the Median Voter Theorem (Meltzer and Richard 1981; Moene and Wallerstein 2001). The Power Resource Theory uses the influence of different social groups to explain why certain policies are adopted and others not (Korpi 1983, 2006; Bradley et al. 2003; Hacker and Pierson 2010; Gilens and Page 2014). Finally, institutional theories focus on how the design of a political institution determines the outcome (Tsebelis 1995, 2002; Huber and Stephens 2001; Iversen and Soskice 2006).

Contributing to this debate, I propose an explanation for the Robin Hood Paradox by combining elements of the Power Resource Theory and institutional theories. Using the Historical Institutionalism method, policies affecting income inequality are linked to the resources of different social groups. This reveals a self-reproducing pattern. In other words, social groups that realize a policy goal become relatively stronger because of the benefits these policies deliver to themselves. This increases the probability of reproducing comparable policies in the future. Additionally, social groups will not only try to influence policies affecting the distribution of resources but also the institutions regulating the interactions between society and politics. These institutions can be regarded as intervening variables that determine the eventual effectiveness of the power resources used and because of this which group is influential and which not. This makes these institutions valuable policy objectives (Steinmo and Tolbert 1998). This creates the incentive for interest groups to redesign institutions to ensure that their power resources will be converted into political influence more effectively. For instance, American corporate interest groups have targeted the regulation of financial contributions. By limiting the regulation of financial contributions corporate interest groups could use their comparative advantage – financial resources – more effectively to realize policy goals

The unexpected policy pattern of The Robin Hood Paradox and the described importance of institutions in determining which social group are in a position to influence policies lead to the central research question: *to what extent has institutional redesign affected the conversion of resources into political influence and thereby the capability of these social groups to reproduce policies that serve their respective interest vis-à-vis other social groups.* I will answer this question by exploring if, and how, corporate interest groups in the United States used their prominent position to redesign political institutions in order to increase their influence on the policy formation process in the period 1975-1985. The United States is selected as case because the Robin Hood Paradox can be

observed most prominently here. Income inequality in the US has increased substantial in the past thirty years (Piketty 2014, 24). At the same time the percentage of Americans in favor of more redistributive policies has steadily increased. In 2007 for the first time a majority of Americans was in favor of more redistribution by the state (Pierson and Hacker 2010, 50). The lack of responsiveness of the American government is often attributed to the prominent position of corporate interest groups. A position they captures during the "new" American activist state's formative years 1975-1985 (Vogel 1989; Skocpol and Pierson 2007; Hacker and Pierson 2010). My hypothesis is that to solidify their position as most influential interest group, corporate interest groups did not only realize policy objectives influencing the distribution of resources, but also redesigned the policy process itself.

The arguments to answer the main question is presented in four steps. First, the theories explaining the different patterns of income inequality are reviewed. Then the implications and explanatory value of institutional alterations are explained while using the Historical Institutionalism method. Next the severity of the Robin Hood Paradox in the United States and the prominent position of corporate interest groups in America is demonstrated using indicators derived from earlier studies on interest groups. Finally, two American cases, the conversion of resources into political influence and the structure of the government-interest group relations, are examined to determine if and to which extent a feedback process through institutional redesign has contributed to sustaining power relations and the realization of policy goals for influential interest groups.

Table 1 – Gini Index of Household Inequality and Redistribution

	Level in 1985	Average change per decade	n*
Pre-tax and transfer inequality (Gini Coefficients)			
Nordic	30.9	2.2	24
Continental Europe	33.9	1.3	33
Anglo-American Countries	37.7	3.4	41
Redistribution (Reduction in poverty)			
Nordic	33%	2.4%	24
Continental Europe	24%	2.2%	33
Angle-American Countries	21%	1.9%	41
Post-tax and transfer inequality (Gini Coefficients)			
Nordic	20.5	0.7	24
Continental Europe	25.6	0.6	33
Angle-American Countries	29.6	2.0	41

Numbers are based on the Gini index of household inequality as provided by the Luxembourg Income Study and collected by David Adamany (1986).
* N is the number of measurements in all countries of a group. The number of measurements per individual country varies from a minimum of 1 to a maximum of 7.

Explanations for the Patterns of Income Inequality and Redistribution

The different patterns of income inequality have often been explained on the basis of technological developments or the globalization of the economy. The dominant explanation for the rising income inequality in past decades has been the "skill based technological change explanation" (Berman, Bound, and Machin 1998; Goldin and Katz 2008). The essence of this explanation is that technological developments have had different effects on different groups of workers. Some workers saw their market position improve while others experienced a decline in their market position. "The economic globalization explanation" follows the same logic. In the global economy part of the workers had to compete with labor forces from abroad while others were shielded from competition by regulation or their education. Given the weakness of these theories in explaining the different income of workers with the same skills or workers under comparable global pressure, scholars have turned their attention to political explanations (Hacker and Pierson 2010, 154). Governments have an enormous influence on income distribution, both by shaping primary incomes through "marketconditioning" policies (Kelly 2008) and by implementing policies that redistribute income to adjust for undesirability in primary income distributions. Such policies can explain why certain groups saw their income rise and others experienced a decline in income.

One of the most effective tools that a Government has to adjust the distribution of income is the instrument of redistribution. While redistribution is an effective tool to decrease income inequality not all governments have governments implement more redistributive policies to correct for primary income inequality than others. Why governments use redistribution differently is fiercely debated by scholars in several fields. There are generally three different theories explaining why governments implement redistributive policies: models based on the Median Voter Theorem, Power Resource approaches and Institutional explanations.

Given the important role that voters and the preferences of voters have been given in political science, it is not surprising that explanations of income inequality are based on studies concerning voters. The most prominent voter driven theory of income inequality is based on the Median Voter Theory. The central argument of this theory is that redistributive policies become popular once the income of the median voter is below the average income (Roberts 1977; Meltzer and Richard 1981). However, the Median Voter Theorem faces a dilemma: not in all countries does an increase in income inequality actually lead to more redistributive policies (Mahler and Jesuit 2006). The lack of response of governments to an increasing income inequality, even when desired by the majority of the population, is a puzzle. It is called the Robin Hood Paradox. This phenomenon cannot easily be explained by the Median Voter Theory (Hacker and Pierson 2010, 164).

Several scholars have responded to this shortcoming of the Median Voter Theory by amending it. One of the first responses was to uncouple income inequality and the median voter (McCarty, Poole, and Rosenthal 2006). The median citizen in a country might have seen his relative income decrease but the median voter did not. The explanation for this is the influx of low-skilled immigrants that cannot or do not work and because people with lower incomes in general vote less (McCarty, Poole, and Rosenthal 2006, 118). The result is that the income of the median voter is higher than that of the median citizen. This in turn reduces the pressure on politicians to implement policies that diminish income inequality. However, the decline of relative income of the median citizen has been so dramatically in some countries since the seventies that such an explanation becomes practically impossible. For this explanation to hold there has to be an enormous amount of low-income citizens that do not vote to seriously reduce the pressure on politicians. Another problem is that income is more and more concentrated in the top 1%, or even in the top 0.1%, of income earners. A high concentration of income in the top 1% increases the probability that the rest of the population would benefit from redistributive policies. Even with a significant part of the bottom income earners not voting the high concentrations of income in the top 1% should still lead to pressure on politicians to redistribute according to the Median Voter Theorem.

An additional modification of the Median Voter Theory is based on the conception that the median voter's income might relatively have decreased, but that voters are not informed enough to be really concerned about this (Bartels 2008). This modification is based on the assumption that politicians have been skillful enough to deflect the attention of voters to other issues. This would give voters the idea that their economic situation has actually been improving instead of deteriorating. Such an explanation would explain the lack of pressure to reduce income inequality while staying true to the Median Voter Theory. However, this leaves unanswered *why* politicians would behave in such a way. Simply responding to the preference of the median voters is simpler than creating a lot of smoke and mirrors to trick voters into voting on them. There has to be a reason why politicians would not want to implement policies that reduce income inequality and convince voters of this. Therefore, other political agents than voters might have influence on the behavior of politicians.

Another important limitation of the voter based models is that it rests on a majoritarian conception of the political process. Voter based models posit that the median voter determines the outcome of elections and that politicians subsequently cater to the preferences of the median voter. While such an approach is appealing from a normative perspective, the empirical and theoretical proof that citizens determine political preferences is weak. Gilens and Page (2014) have demonstrated that in the United States government policies are closer to the preferences of economic elites and corporate interests groups than to the preferences of the voters. The struggle over government policies also brings the large asymmetries of information, organization and

intensity between the different groups to the forefront (Hacker and Pierson 2014, 649). Voters are unorganized, dispersed and have short time horizons. Organizations on the other hand have substantial organization capabilities, high levels of information and extended time horizons. These characteristics favor organized interests groups in altering government policies.

The proposition that policy outcomes that shape the market or redistribute income are related to the power of groups is closely associated in the comparative welfare-state literature with the Power Resources Theory (PRT), as developed by Korpi (1983, 2006). In his work Korpi considers trade unions as representatives of working-class interests in the democratic class struggle. The unions strive to realize social welfare policies that insure workers against the vicissitudes of the market, reduce their dependence on employment and redistribute income and consumption opportunities. Groups whose members do not depend primarily on wages are labeled "capital" in PRT and in general resist the expansion of a public welfare system. Which policies are eventually enacted depends on the distribution of power resources over the social groups. The balance of power between social groups provides a persuasive explanation for the aforementioned 'Robin Hood Paradox'. In the PRT framework strong unions provide for both a relatively low primary wage inequality through collective bargaining and redistributive policies by pressuring governments. Organizations representing capital promote the opposite. The inverse relationship between primary income inequality and redistribution is thus a spurious relationship, as both are the result of the distribution of power resources over social groups[3].

Of the three explanations the institutional theories offer the most diverse approach to explaining differences in redistribution policies. Central in every variety of this approach is the argument that formalized institutional arrangements, the 'rules of the game', influence policy outcomes. Policies can also be considered institutions if these constrain or shape the subsequent strategic options of political actors. Once created institutions alter the system of interest representation. As a consequence interest groups change behavior, new interest groups join or leave and the relationship between interest groups is redefined. Different institutional settings lead to different incentives for politicians and thereby explain differences in policies between countries. According to the institutional approach, the cross-national differences in redistributive policies are the result of the structure of the welfare state programs at its origin, the number of veto points that can stop alteration of the program and the dispersion of benefits of the program over different social groups. Examples of this approach are the study of why certain New Deal policies have flourished and others not (Weir, Orloff, and Skocpol 1988), how an institutional design of the decision-making

[3] It is never specified what power resources exactly are. In this paper they are considered organization capabilities that can be used to influence the policy process. Power resources and organizational capabilities should thus be read as being interchangeable.

process can lead to different policy outcomes (Immergut 1992) and how gender related issues can affect policy developments (Orloff 1993).

In addition to how policies institutionalize several empirical studies have demonstrated that state structures can have a significant and robust effect on welfare spending (Steinmo and Tolbert 1998). Federal states have, in comparison with unitary states, less redistribution (e.g.Huber and Stephens 2001). This effect is the result of competition between sub-state units for capital and the fear of attracting welfare recipients. Federalism also increases the number of access points for special interests and is characterized by more veto-points, leading to a status-quo bias (Immergut 1992; Tsebelis 1995). While the influence of federalism on the welfare state is broadly accepted, the role of electoral rules is more contested. Countries with proportional representation typically have more redistributive welfare policies than countries with single-member plurality election rules (Persson and Tabellini 2003; Alesina and Glaeser 2004). Another strand of institutional research focuses on how proportional electoral systems tend to induce politicians to create broad based and inclusive spending programs and plurality elections lead to geographically targeted spending. There is a correlation between electoral systems and redistributive policies, but the causal mechanism of how electoral systems lead to redistributive policies is not yet fully theorized – led alone proven empirically.

Power Resources, Institutions and Feedback Processes

The listed research into primary income inequality and redistribution has increased the understanding of the political origin of income inequality and different redistribution policies. Nevertheless, the theoretical approaches listed still have substantial shortcomings. Models based on the electoral connection neglect almost everything outside the voter-politician relationship, which is – to say the least – at odds with empirical findings (Gilens and Page 2014). Corrections applied to the Median Voter Theory might increase its ability to predict reality, but do so by undermining the fundamental principle of voter influence. Correcting the model by assuming that voters are not well informed and can be misled by politicians demonstrates that other political agents are shaping the preferences of politicians. PRT might not be as parsimonious as electoral models, but research has demonstrated that its more inclusive approach represents the political reality more accurately (Gilens and Page 2014; Pierson and Hacker 2010). A shortcoming of PRT is that the power position of groups are endogenous to the theory. Groups have a power relation and from that flows policy choices. However, policies realized affect the relative power relation between groups. As Schattschneider (1935) said "Policies create politics". Policies can affect how resources are distributed over the different social groups, be an incentive for social groups to increase their

organizational capacities or alter how social groups interact with government. Therefore PRT should not only be concerned with the relative power positions of groups and which group succeeds to influence the policy process, but also with how policy choices affects social groups. The feedback loop of the historical institutional method can provide this feedback process.

An adequate explanation of primary income inequality and distribution levels should thus be based on more than "just" the election cycle. It should not only explain why extreme unequal situations can develop but also how these be maintained. This is done by taking into account how policy choices feed back into the positions of interest groups. The historical institutionalist method can fulfill these requirements by combining how rational groups strive to realize policy goals (PRT) while acting in an environment with constraints based on power relations between the social groups and the political institutions in a dynamic model. Rational agents achieve policy goals that affect the distribution of power resources over society. This feeds back into the capacities of agents to influence the policy process in the future. This explains why certain groups not only continuously manage to bend the policy process in their favor, but also why such patterns become more stable over time. A group in a prominent position can use its influence to improve its position. Using a feedback process has the advantage of being able to explain stable institutional patterns, like increasing primary income inequality and low redistribution or low inequality and high distribution, from seemingly neutral starting points. The stability of these patterns depends on cyclical processes that lock-in or reproduce the pattern. In this process policy choices shaping the relation between groups in the early stages shape the path to come. Further into the process the path is already determined and inertia sets in. The process of reproduction keeps it on track and continues towards its outcome (Mahoney 2000, 510-511).

In politics a chosen path often is stable because of the prominence of collective action problems, high institutional density, the general opacity of politics, and asymmetrical political authority and power (Pierson 2000, 257). Once a certain policy has been enacted it is often hard to reverse and it will influence subsequent choices. Asymmetric power relations can also be the result of the policies implemented. If a social group is in a position powerful enough to reach a policy objective, realizing that objective will further strengthen it and create obstacles to future change. The results of a positive feedback process is an increased probability of reproducing the preferred policies. Social groups that benefit from income inequality and low redistribution will use their power, which is partially based on income inequality and low redistribution, to at least continue policies as little social security, low taxation and few regulations of businesses. Such dynamics are intensified in politics by the lack of efficiency enhancing mechanisms as competition and learning. Once a policy has been enacted it is often difficult to evaluate how it performed. For politicians it is most times also not beneficial to evaluate policies. Undoing earlier policy choices means one has to

admit that earlier choices were wrong and it requires a contest with those that benefit from the policy (Pierson 2000, 257). Policies thus are fairly stable because of their feedback process.

Where most literature on power resources and income inequality use a narrative that can be read as a positive feedback process between policies and relative power resources, the institutional structure used is a fixed intermediating variable. Whereas the institutional structure that determines how, and which, social groups can influence the policy process is not exogenous to the policy process. The rules guiding how social groups and politicians interact with each other are a result of the policy process itself. Therefore, institutional alterations should also be part of the explanation in a historical institutionalist method incorporating a feedback loop. Powerful groups are in the position to change the rules of the game into their favor. Such alterations can be far more consequential than policies that change the distribution of resources (Hacker and Pierson 2014, 649). The institutions that regulate how social groups can interact with the policy formation process can be regarded as intervening variables. Institutions can enhance the effectiveness of resources and/or groups and diminish the effectiveness of others. In the most extreme case, when the institutional structure determines exactly which social group is allowed to be part of the policy formation process, the institutional structure completely negates the relative power position of the different groups. Given the importance of institutions and resources the expectation is that powerful social groups will create policies that improve their relative power position *and* redesign the institutional structure that determines how social power is converted into influence on the legislative process.

The Robin Hood Paradox in America and the Rise of Corporate Interest Groups

If, and how, social groups strive to realize policies that improve their power position and alter the institutional structure in their favor is examined by exploring developments in the United States. The United States is the "ideal" case for examining if a high income inequality and low redistribution policy pattern has been accompanied by institutional alterations. The first reason is that regardless of which measurement is used – 80/20, 90/10, top 1% or Gini coefficients and welfare as percentage of GDP, reduction of Gini through redistribution or reduction in poverty – the US has the highest income inequality and the lowest redistribution (in comparison with other OECD countries). At the same time a majority of Americans do want the government to redistribute income for the purpose of reducing economic inequality. During the great depression 35% of the people agreed with the strong statement that "government should redistribute wealth by heavy taxes on the rich". In 1998 this percentage had increased to 45% and in 2007 a majority of the people (56%), agreed with the same statement (Pierson and Hacker 2010, 50). The low level of redistribution in the United States while

the public opinion is in favor of redistribution indicate that the policy pattern must be rigid in the United States.

The United States is also a country where politicians do not shy away from changing the institutional structure if this benefits themselves. Politicians gerrymander their districts and change who has access to the ballot box or how voters are converted into seats to ensure their own political survival. Given the political culture that altering the rules of the political game are considered part of the spoils as winner, it is reasonable to expect that interest groups also try to realize this. Thus institutional alterations are more likely in the United States than in many other countries. Both the level of income inequality and lack of increase in redistribution, and the acceptance of changing the rules of the political game make the United States a case where institutional alterations are most likely to have occurred. In case institutional redesign didn't contribute to reproducing the pattern of policies that sustain or increase income inequality in the US, it is unlikely that it did so in other countries.

According to PRT the policy pattern of high income inequality and low redistribution is the result of the relative power resources of different social groups in the United States. Earlier studies into the relative power position of different social groups have demonstrated that corporate interest groups in the United States have a prominent position. The prominent position of corporate interest groups is in most studies traced back to the organizational transformation that took place in the 1970s (Vogel 1989; Skocpol and Pierson 2007; Hacker and Pierson 2010). This organizational transformation is characterized by "the decline of labor and rise of organized business, the shift away from mass-membership and locally rooted political organizations toward centralized mailing-list, and the increasing importance of money in political life" (Hacker and Pierson 2010, 179). This transformation has led to a large asymmetry of information, organization capacities and intensity of pressuring government between organized interests groups. The asymmetry of capacities between organized interest groups has led to a difference in outside pressure – letters, media attention – and inside pressure – relationships between interest groups and politicians, and flows of information.

The transformation of interest groups started during the 1760s as social movements descended upon Washington D.C. and nationalized several social issues. In the late sixties and early seventies the federal state got involved in multiple social-economic and regulatory questions. This led to the breaking up of old patterns (Schattschneider 1975) and the birth of the "activist state" in the United States (Skocpol and Pierson 2007). The "new" activist state forged by social movements was initially responsive to these movements. Civil rights and peace movements were enormously influential and successful in realizing their policy goals. Subsequently several other grassroots movements expected to replicate these successes: the women's movement, the greens, the anti-nuclear movement, the lesbian and gay movement, and the unions, all turned to Washington. The

victory of the Democratic Party in 1976, with the help of many of these organizations, bolstered the expectations even further. However, these expectations did not materialize. Under President Carter a tax reform proposal was defeated, the creation of a new consumer protection agency blocked, an election day voter registration law didn't even make it out of committee and a proposal to peg the minimum wage to the average manufacturing wage was also defeated on the floor of Congress. The main reason for this string of unexpected defeats was the growing influence of corporate interest groups (Hacker and Pierson 2010, 156).

The larger developments initiating the rise of corporate interest groups during the seventies are the changing economic circumstances and the new prominence of the federal state (Skocpol and Pierson 2007; Hacker and Pierson 2010). Until the seventies the economic growth in the United States was high and relatively stable. Prosperity grew and there was plenty to go around. During the seventies however this all came to a stop. The Vietnam War led to budget deficits while the oil crises slowed economic growth and increased inflation. Corporations relied on the federal government to solve these issues. The federal government had also become more influential. During the sixties and early seventies the federal state expanded immensely. President Johnson created Medicare and Medicaid. President Nixon doubled down on this and extended social security for retirees and created many of the Government agencies that are still active today. Under pressure of social groups the American State had become a "new, modern" activist state. For a brief period the federal government became an activist state that was not friendly to American business. Supreme Court Justice Lewis Powell warned in 1971 that "the American economic system is under attack. Business must learn the lesson, political power is necessary" (Quoted inPierson and Hacker 2010, 117). Corporations feared for more interfere in the economy by the federal government. Interference that would not be in their favor.

The significance of this change in Washington D.C. cannot be overstated. In an influential study published in 1963, Bauer, Pool and Dexter (1963) conclude that they were surprised by the low level of visible business participation in federal politics. Most firms did not have representatives in Washington D.C and those that were lobbying were ill-informed and tended to be poor on resources. However, during the seventies this completely changed. Corporation moved to D.C, acting both independently and collectively, and increased their visibility. Corporations en masse opened offices in D.C. in their attempt to influence the policy agenda. This is illustrated by the fact that in 1968 less than 100 corporations had an office in D.C., by 1987 this number had increased to over 500. In 1971 only 175 firms had a registered lobbyist in D.C., while in 1982 over 2500 corporations had at least one lobbyist working for them in D.C. (Pierson and Hacker 2010, 118).

Besides moving to D.C., corporate organizations also established and funded Political Action Committees (PACs). "A dialogue with a politician is fine," according to a corporate executive "but

with a little money they hear you better" (As quoted in Gray and Lowery 1997, 322). Table 2 shows the number and type of PACs active in D.C. The rise of corporate PACs, both stock and non-stock, is immense. The amount of money disbursed by PACs to influence politics also exploded. As can be seen in Table 3 the budget of all PACs rose from $21 million in 1974 to $265 million in 1984 (Vogel 1996, 148). A rise of 1100% in only 12 years. During these years the share of labor related PACs and labor contributions diminished yearly. Where labor had been a prominent player in the early seventies it was soon outmatched by corporate groups. The historically unprecedented level of corporate political activity at the federal level also showed no signs of abating. The political mobilization by corporate interests had become a permanent feature of American politics.

Table 2 - Growth in number of Political Action Committees since 1974 by type

Type	1974	1976	1978	1980	1982	1984
Corporate	89	433	785	1.206	1.469	1.682
Labor	201	224	217	297	390	394
Nonconnected			162	374	723	1.053
Cooperative			12	42	47	52
Nonstock corporation			24	56	103	130
Total	608	1.146	1.653	2.551	3.371	4.009

Source: "FEC says PACs top 4.000 for 1984" (Federal Election Committee 1985).

Table 3 – Total PACs Disbursements by Type of PAC (In millions of dollars and in percentages of total)

Type	1974		1976		1978		1980		1982		1984	
	Amount $	Percentage %	Amount $	Percentage %	Amount $	Percentage %	Amount $	Percentage %	Amount $	Percentage %	Amount $	Percentage %
Labor	11.0	52.4	11.5	33.1	18.6	24.0	25.1	19.1	35.0	18.4	47.4	17.9
Corporate	8.1	38.6	5.8	11.0	39.0	50.3	63.4	48. 4	84.9	44.6	112.9	42.3
Noncon nected	0.8	3.8	-	-	17.4	22.5	38.6	29.4	64.6	33.9	95.9	36.2
Other	1.1	5.2	29.6	56.0	2.4	3.1	4.0	3.1	5.8	3.0	8.8	3.3
Total	21.0	100	52.9	100	77.4	100	131.1	100	190.3	100	265.0	100

Source: Collected by Adamany and printed in "The New Faces of American Politics" (1986). Based on various FEC election reports.

The difference in organization capabilities of corporate or union related interest groups has led, in general, to business friendly legislation. Tax rates on high incomes were reduced sharply, corporate tax rates reduced, carried interest laws implemented, many costs of doing business were made tax deductible and business gained many tax rebates (Pierson and Hacker 2010, 52). The effect of these beneficial policies was that that the relative power resources of corporate interest groups improved immensely over the years. The effectiveness of government to shape the markets also had an indirect effect. More and more interest groups, mostly corporate groups, turned towards D.C. as

lobbying proved to be a sound investment. New groups wanted to be represented in DC to gain more benefits and also out of fear of being left out.

The Mechanism of Institutional Redesign

The dominant influence of corporate interest groups, as described in the previous part, is however not only determined by the relative power resources of the different social groups but also on the basis of if and how resources can be converted into political influence. A social group with impressive financial or human resources that cannot convert these resources efficiently into political influence will find it difficult to realize its policy goals. This makes the institutions regulating how groups can influence politics a valuable policy objectives (Steinmo and Tolbert 1998). Two important institutions are explored in this paper: how resources can be utilized to influence the policy process – The Arms Race of Interest Representation – and the structure of consultation during the policy formation process – Unorganized Government-Interest group relations.

These examples do not cover all the relevant institutions regulating government-interest group relations. For example, how decisions are made in the policy process has a profound effect on the ability of groups to influence the policy formation process. Often used systemic variables here are the fragmentation of government and the number of veto players in the policy process. A fragmented policy process has many openings for interests groups (Kitschelt 1986) and many veto players increases the possibility of blocking unwanted legislation (Tsebelis 2002; Pierson and Hacker 2010). However, there are no theoretical expectations regarding which group would benefit from which structure. Therefore, the rules of the decision making during policy formation process cannot be used as a systemic variable that prominent groups would like to change to enhance their own influence on the policy formation process.

Two important rules regulating how interest groups can influence the policy formation are explored next: how resources can be utilized to influence the policy process and the structure of consultation during the policy formation process. Both of these rules can determine which social groups eventual succeeds and which doesn't. Therefore the expectation is that both rules not only regulate interest groups but that alterations of these rules are policy goals of interests groups.

The Arms Race of Interest Representation

One of the most important rules determining which group wins or loses is the regulation of financial contributions to politicians and Political Action Committees (PACs). Legislation prohibiting the flow of money from groups to political agents neutralized the difference in financial resources between

groups to a certain extend. It creates a more even level playing field where groups with limited financial resources can also compete for influence. A lack of regulation, or enforcement, of such rules creates a competition between groups where those with the largest purse are in a favorable position. Such a competition between interest groups to influence politicians can be perceived as an arms race: different groups use strategies that optimize the likelihood that their message reaches legislators rather than the message of competing interest groups. If one group finds a more effective method of influencing politicians other interest groups have to follow this example or loose influence (Gray and Lowery 1997, 322). Interests groups are in a competition with each other for political influence. In this zero-sum game interest groups have to adapt to new developments or "their" interests will be less effectively represented.

The struggle for attention between interest groups is decided on basis of how much resources each group has and how effectively the different interest groups can convert their resources into influence. Important resources are the number of lobbyists, size of the grassroots movement, expertise and people with connections. The most important resources is probably the financial cloud of an interest group. As mentioned earlier "with a little money they [politicians] hear you better" (As quoted in Gray and Lowery 1997, 322). The struggle for attention changed profoundly in the 1970s as business related interest groups followed the example of social movements and moved to Washington (See table 2, page 12). With the influence of the new American state becoming so large, in comparison with earlier stages, companies found it necessary and profitable to lobby in Washington. The growth of business related lobbying capabilities was encompassed by an equally fast development of appetite and capabilities to tap into these rich resources by the major political parties. Especially the Republican Party, historically the natural partner of business interests, realized the potential of this development and created the institutional machinery necessary to harvest these resources (Adamany 1986, 15; Pierson and Hacker 2010, 159). The result was that by 1980 the Republican Party was raising almost four times as much funds as the Democratic Party. This financial advantage was partially responsible for the Republican rise at the end of the seventies.

While organized business interests became the dominant interest group, their influence is not without limitations. The most important constraint on the maneuverability of politicians is the voters. If politicians want to be reelected they have to respect voters' preferences to a certain extent. Having superior financial resources as corporate sector is an advantage, but converting this advantage into policy influence requires influence on the electoral process. However, using money to influence the election process was a contested topic after the Watergate scandal and the role of unregulated and unknown financial contributions in creating and sustaining the corrupt practices of President Nixon. In 1974 the Federal Elections Campaign Act (FECA) was amended. The most important changes were the limits on financial contributions and the requirement for public

disclosure. However, even before the ink was dry the 1974 FECA amendments were challenged in court (Clark and Lichtman 2006). It was argued by the plaintiffs that the limitations on financial contributions were an unconstitutional restriction on the freedom of speech. The Supreme Court eventually sided with the plaintiffs in the "Buckley v. Valeo" case in 1976 and struck down several integral parts of the FECA 1974 amendments. The Supreme Court declared it illegal to apply universal and mandatory limitation of political spending. After the verdict Congress had to act again. It could side with the Supreme Court or enact new legislation, possibly a constitutional amendment, which would restrict financial contributions again.

In 1977 and 1979 Congress enacted a new set of FECA amendments. In 1977 Congress determined, following the Supreme Court ruling in "Buckley v. Valeo", that limitations on expenditures undertaken independently from politicians by Political Action Committees (PACS) or individuals on behalf of or in opposition to a candidate cannot be limited (Wertheimer 1986, 96). Additionally direct contributions to politicians or political parties were limited. This was done to safeguard the integrity of elections and avoid the appearance of corruption (Clark and Lichtman 2006, 637).

Labor unions considered the rapid rise of corporate PACs as a threat to American democracy and their own position (Alexander 1980, 659). The fear was that corporations would soon marginalize unions if the number of corporate PACs and financial resources of corporate PACs kept growing as it had until then. In order to curve the influence of PACs a bill was proposed by liberal Democrats and Republicans to lower the amount of money a politician may receive from one PAC to $2.500 and the total sum to $50.000. The Obey-Railsback bill, named after its Democratic and Republican sponsor, attracted more than twenty Republican cosponsors. Obey stated that PAC money had to be limited to stop the race between politicians for PAC contributions. Without regulation PAC money would continue to grow like "we have a new arms race on our hands, only the arm, instead of missiles, are campaign dollars; Whatever business does one year, labor does the next" (Quoted in Alexander 1980, 662). The AFL-CIO union and Common Cause, a liberal interest group, also supported the bill. Common Cause president Fred Wertheimer contended that "unless there are some controls on the PAC movement, we will see no controls for some time, if at all" (Quoted in Alexander 1980, 659). The goal of the reduction in PAC contributions to individual candidates was to make candidates less dependent on wealthy PACs and more responsive to a wide variety of donors.

Reducing the amount of money PACs could give to politicians was opposed by the Republican Policy Committee and the many organizations which interpreted the emergence of PACs as a positive development in American politics (Alexander 1980, 659-660). The Republican Policy Committee maintained that the bill would "restrict full participation in our election process" (Quoted in Alexander 1980, 659). Organizations as the National Association of Manufacturers, the American

Medical Association, the Business-Industry Political Action Committee and Chamber of Commerce were all in favor of rejecting the bill. The Chamber argued that the claim that corporate PACs were too influential could not be true as corporate PACs only gave a small portion of the total contributions (Alexander 1980, 660). The opponents of the bill appeared to suffer a defeat as the Obey-Railsback bill was approved in the House, a bipartisan 219-197 vote. As it turned out, this defeat was a strategic move by opponents. Several opponents promised to vote for the House bill if it would be postponed till after the recess. This gave them time to organize their resistance in the Senate. This tactic paid off as the Senate version of the bill was sidetracked eventually in the Senate Rules Committee; it never reached the Senate floor for an official vote. If it had, it would have been filibustered (Alexander 1980, 665). As a result the money flowing to and through PACs stayed mostly unlimited and unregulated, leading to an explosion of PAC contributions and influence of the organizations behind the PACs.

The clear loser of the growth in PAC influence and financial strength were the political parties themselves and the grassroots movements. Money was now flowing to PACs and politicians had to "work" with PACs to ensure their contributions. What the effect is of the influence of PACs on politicians is contested. The consensus is that PACs don't tell politicians how to vote, but there is a strong overlap between the ideology of PACs and the politicians they are contributing to (Adamany 1986, 25). The introduction of PACs has induced politicians to take certain political positions and increased the financial gap between candidates. There is an "invisible election" where politicians vie for the support of resource rich groups. To ensure that parties would keep their prominent position and also profit from the influx of money the FECA was amended again in 1979. This time the limitation of contributions to political parties was altered. Until then political parties had to operate in the complex web of federal and state legislation. They had to comply with both types of legislation. The 1979 FECA amendments solved this "problem" by splitting financial contributions to political parties into campaign contributions and party expenditures. Contribution to a political campaign stayed heavily regulated and limited. But contributions for party building were exempt from federal legislation. Party building was a local activity and should thus only be regulated by state law (Wides and Scott 1995, 23). The result of this division of political contributions is the now infamous influx of "soft money". This money was supposed to be spend on actual party building activities, but it did not define what a party building activity is. Political parties could now use unregulated and unlimited sums of money on activities that would help the party. The Federal Election Committee in 1984 had to admit that it could not really make a distinction between promoting a candidate and promoting a party, as long as the activity was not explicitly linked to the candidate it was supposed to support (Clark and Lichtman 2006, 639). The 1979 FECA amendment did not even have a disclosure requirement. Parties could thus spend money on "party activities" without having to disclose how

much money was being spend. The Federal Election Commission stated itself that "soft money is one of the most difficult issue the Commission had to address during the last twenty years" (quoted in Wides and Scott 1995, 23).

The influx and importance of money in political campaigns would probably have happened regardless of the legislation of politicians. New technology, especially mass-mail appeals, has led to an increase in fundraising (Adamany 1986, 15-16). It is still remarkable that legislation enabling and or sanctioning the increase in financial contributions was supported by both parties. The difference in fundraising between the Republican Party and the Democratic Party was so large that it would have made sense if the Democratic Party had been suspicious of more money in politics. The Republican Party was raising four times as much money as the Democratic Party. An explanation for the bipartisan support for reduced limitations on campaign finance could be the favorable position of all politicians, Democrats and Republicans, compared with challengers. Between 1978 and 1982 68 percent of the money contributed by PACs to House elections went to incumbents. In the Senate 68 percent of this money went to incumbents (Adamany 1986, 21). In 1984 the difference had become even larger, 82% of the PAC contributions went to incumbents (Wertheimer 1986, 92). Everyone voting on the Federal Election Campaign Act is an incumbent, so it is in their own interest to increase the influx of campaign contribution. They themselves were one of the biggest benefactors of these changes. The fundraising advantage an incumbent has over challengers could also result in private financial gains. Until the FECA amendments of 1979 it was prohibited to convert campaign funds into personal funds after leaving Congress. But the 1979 amendments also included an exemption from that rule for all members of Congress on that moment. Members of Congress made a rule that only applied to themselves and which would benefit them greatly. Members of Congress at that time had up to $600.000 in their war chest, money they could keep themselves if they left politics (Werdheimer 1986, 100).

Congress chose to open the floodgates and allow unregulated money to flow into politics. This favored corporate interest groups, incumbent politicians and the parties. For politicians and the parties it meant more financial resources during campaigns – and sometimes for retirement. Corporate interest groups have deep pockets and were one of the most active supporters of these changes. Their financial advantage over other interest groups would enable them to speak even louder if some of the restrictions on financial contributions were removed. Therefore it made sense for corporate interest groups to have the removal on limitations of financial contributions as one of their main policy objectives. The losers are interest groups with smaller purses like the unions and politicians advocating issues that corporate groups disagree with. Being ideological mostly in line with corporate interest groups became a necessity for political survival. Politicians that didn't play along were in danger of finding a well-financed challenger in the next election. Both the removal of

politicians with ideas not shared by corporate interest groups and the decline of influence of other, less well financed, interest groups increased the probability of the preferences of corporate interest groups to be transformed into law. A financial arms race between interests groups decreases the chance of redistributive policies being enacted in the United States, where income, and thus financial resources, is concentrated more and more in the hands of the few. Removing restrictions on financial contributions increases the effectiveness of how financial resources are converted into political influence and leverages the effect of policies affecting income distribution. The result is a stronger feedback process: more resources are collected by the already dominant groups and these groups can use such resources more effective. As the feedback loop becomes more powerful, the policy path becomes more rigid and a change of direction harder to achieve. Thus, income inequality leads to more income inequality and a political system that is friendlier to those with resources. Mitigating this development with redistributive policies becomes harder as the asymmetry in power between groups increases and the political system is redesigned.

Unorganized Government – Interest Group Relations

The difference in organization capabilities between interest groups is large in the United States – as demonstrated earlier. There are however structures of government-interest relations that mitigate the differences in capabilities. In an organized environment like corporatism or tripartism selected weaker groups are empowered and given a stronger voice in the policy formation process (Baxter 2011, 191-192). For social groups it is important that the institutional benefits them, or at least is neutral.

The US has a remarkably unorganized system of interest representation. No peak organizations represent either employers or the employees in consultative bodies where government and social groups meet. The lack of organization and hierarchy creates a system supposedly characterized by equality of opportunity. The system is open to all organizations and interest groups who compete based on their power resources. According to Gordon (1998, 40) in such a unorganized environemnt coalitions of interest groups ad-hoc react with a tendency of political short-sightedness to threats or opportunities. In such an environment corporate interest groups can prosper and leverage their organizational capabilities optimal. It is a favorable environment because business related interest groups have the most resources at their disposal since their organizational push in the seventies (Hacker and Pierson 2010, 156; Baxter 2011, 191-192) and there is the "privileged position of business" (Lindblom 1977). According to Lindblom (1977) politicians have a natural tendency to listen to business people. Politicians need business too much. This enables corporate

interest groups to be heard more often than other interest groups and thus have a disproportionate influence on the policy making process.

The prominent position of business related interests groups can be explained using Olson's *The Logic of Collective Action* (1971). Until Olson's work it was assumed that interests in society would be represented equally to their importance in society. Olson demonstrated that not all interests will automatically be represented by interests groups. This concerns the free rider problem and variation in resources that can be used for selective benefits to overcome the free rider problem. According to Olsen, this results in an interest community representing mainly the well-off and well organized. From a class based perspective this is often translated into a domination of corporate interest groups (McDonnel 1966, Lowi 1969, West 2000). The difference in incentives to organize can directly be linked to differences in power resources. The more unequal the distribution of income, the more income is concentrated in the hands of a few and the easier it is for members of this group to overcome the collective action problem. A measure of income distribution can thus be regarded as a multiplier of how effective resources of different groups in society are used to influence policies. An unequal income society results in both, the top earners have more financial resources than other groups and it is more likely that these resources will be utilized to influence the policy process.

The advantage of corporate interest groups in an unorganized system does not automatically mean that a structured relationship between government and interest groups would be disadvantageous for corporate interests. For instance, the close relationship between politicians, bureaucrats and corporate interests groups in the Iron Triangles of the decades after the Second World War were advantageous to the corporate interest groups (Vogel 1989, 16-17). However, when these Iron Triangles were broken up by nationalizing the issues being discussed in these networks, the business related interest groups lost their powerful positions (Schattschneider 1975). Although business related interest groups might indeed have lost their influential position in the policy making process, it was important for them to ensure that the way government-interest relations would be structured next was not be disadvantageous to their interests. Given the organizational capabilities of business related interest groups it is preferable for them to have an unorganized interest group environment over a structured interest group environment where representative interest organizations of the groups involved would all have a place at the table. Weaker groups are empowered to compensate for their weaker position in society in an organized environment as corporatism or tripartism (Baxter 2011, 191-192). The expectation is that the outcome of such a process is more balanced because the asymmetrical power relations in society have been neutralized.

The replacement of the closed structure by an unorganized structure was not self-evident. The United States has a short history of government created consultation bodies, giving corporatism

its place in American history. Trade organizations were actively organized and given a role in formulating government polices during the First World War, the Great Depression and the Second World War. The consultation bodies were mostly founded in order to create support for and to implement far reaching federal regulatory programs (Salisbury 1994, 467-8). At the end of the sixties and during the early seventies President Nixon and later President Ford pushed for the socialization of economic issues. A tripartite machinery was created to bring together labor, business and government to try dealing with the aftermath of the first oil crisis. An attempt was made to socialize economic issues. Until then such issues had been considered private affairs between employer and the individual worker. If needed issues were dealt with in bilateral discussions between government and employer or employee groups. The socialization of economic issues as happened in the late sixties and early seventies, thus without an emergency situation, was considered as the arrival of the corporate state in America (Fusfeld 1972; Peterson 1974).

However, American corporatism never really thrived. Peak organizations representing employees had difficulty in organizing workers and achieving a sufficient level of representation. Unions have never been popular in the United States and corporations increased their efforts to dismantle unions because of the economic hardship of the seventies. Fewer unions would mean lower wages, a much needed competitive advantage. The effort of the National Labor Relations Board to regulate representative elections in corporations threatened corporate interests. The labor law reform of 1978 was supposed to make corporate elections easier to conduct, increase the penalties for companies that did not comply, and, most important, impose a position of non-interference or neutrality towards unions on companies. According to proponents of the Labor Law reform of '78 the opinion of the company is often difficult for employees to neglect because of the superior economic position of companies. Any "advice" a company gives carries an inherent suggestion of economic reprisals. To avoid economic retaliation having an effect on elections, verbal interference by business owners during elections was going to be considered an infringement of the employees right to a free and fair representative election and, therefore, constituting an unfair labor practice (Editors 1979, 755).

The proposal to streamline corporate elections and keep the employer out of the elections was already a compromise. More radical parts like a guarantee that union representation would have to be respected after a merger or acquisition of the company were dropped after consultation with the Chamber of Commerce and the Business Roundtable (Fink 1998, 246). President Carter described the proposal as "legislation to make the laws which govern labor-management relations work more efficiently, quickly and equitably and to ensure that our labor laws fulfill the promise made to employees and employers...that working men and women who wish to bargain collectively with their employers, in a fair way to both, shall have a reasonable and prompt chance to do so" (Carter 1977).

In spite of the watered down legislation, Democratic majorities in both houses and a Democratic President, the bill was never signed into law. Business organizations, sensing the weakness of organized labor, started an all-out campaign against the labor reform bill. Organizations like The Business Roundtable, The National Association of Manufacturers, The Small Business Administration and The Chamber of Commerce opposed the bill fiercely. The Small Business Administration (1978) declared the bill a "job killer, anti-employee and anti-small business". Business groups allied themselves with, or created groups like, the Committee to defeat the Union Bosses, the Committee for a Union Free Environment, the Right-to-Work Committee and the Americans Against Union Control of Government Committee. Business interest groups also went national. Public opinion was influenced with articles, open letters, advertisements and editorials in newspapers and magazines. In these public relations efforts unions were depicted as corrupt organizations making a power play that would hurt the normal worker. As a result legislators were confronted with a tsunami of letters, calls and personal appeals. Especially small business owners were ever present in the lobbies and corridors of Congress (Cowie 2010, 211). One Senator described the labor law reform as "one of the most emotional issues to reach the Senate in years" (Fink 1998, 249). Every possibility to influence the process was used to ensure it would not pass.

Encouraged by the intensity of the opposition a small group of Senators led a long but successful filibuster again the labor reform. Senators Orrin Hatch (R. Utah) and Richard Lugar (R. Indiana) took the Senate floor for almost five weeks. Democratic majority leader Byrd attempted a total of six cloture votes, but failed in every attempt. The closest he got was 58 votes. Two shy of the required sixty to invoke cloture. During the filibuster the labor reform bill was altered several times to try and reach a compromise with the opposition. But all efforts were in vain. In the end Senator Byrd saw no other solution than to recommit the labor reform bill back to the Human Resource Committee. This was a strategic action, but a defeat none the less. Labor law reform had once again been defeated, despite labor's best efforts and the formal Democratic control of the Congress and the presidency.

The consequences of the stringent defeat of labor reached further than stopping the contents of the labor reform law. Union leaders deemed it inappropriate and useless to take part in the Labor Management Group, the last and most visible manifestation of corporate liberalism after the Second World War, after being furiously attacked by business leaders. Douglas Fraser, president of the United Automobile Workers, wrote a damning letter accusing business of sitting at a table negotiating with labor while waging a "dishonest and ugly multimillion-dollar campaign against the labor law reform bill" (Fraser 1978). The leaders of industry, commerce and finance were waging an "one-sided class war against labor" and "had broken and discarded the fragile, unwritten compact previously existing during a past period of growth and progress" (Fraser 1978). AFL-CIO president

Lane Kirkland advocated that if the National Labor Relations Act could not be amended it should be repealed. Corporate interest groups had turned the National Labor Relations Act in a weapon against labor (Fink 1998, 252). Industrial pluralism, to the extent that it had ever really existed, died with the dissolvent of the Labor Management Groups.

As described, corporations avoided the socialization of labor-industry issues by stopping unions from organizing and being represented in consultative bodies in the seventies. Corporate interest groups purposely pushed towards an unorganized structure of interest representation. Interest representation was no longer, if ever, to be done in an organized hierarchical structure but in the political arena. Free competition for influence determined by organizational capabilities. Competition that is favorable to corporate interest because of their organization advantage over other groups. By realizing an arena of interest representation corporate in interest groups increasing the probability of realizing their other policy objective: business friendly legislation. As time progressed income became more concentrated in the hands of the few and the possibility of institutional alterations to compensate for the concentration of income only dwindled. As long as those with resources will have a say in the formation of policies no organized structure will be creates that neutralizes the difference in resources. Unless big changes are expected, no group in an influential position will undermine their own influence by creating an organized structure of interest representation that empowers their competition.

Conclusion

The observation that American politicians respond to a rising income inequality with marginal redistributive policies can be explained the best using Korpi's Power Resource Theory. Corporations sought more influence in Washington D.C. as economic prospects diminished in the seventies and the American activist state had become more important. Subsequently corporate interests groups managed to win several crucial political battles in the late seventies because of their new gained organizational capabilities,. The success of corporate interest groups incentivized other corporations also to set up camp in D.C. The asymmetrical power relationship between corporate interest groups and ordinary citizens, mainly represented by the unions, shifted more in favor of the corporations with each additional policy objective that was realized. The probability of reproducing policies favoring corporate interests increased as this power relation became more and more an unequal relationship.

The pattern of primary income distributions and redistributive policies is, however, not only the result of an asymmetrical power relationship between corporate and union interest groups. Power resources have to be converted into influence on the policy formation process. It are political

institutions that determine how this conversion transpires and often decide which social group wins or loses in the contest for influence. Because institutions are endogenous to the policy process, groups can attempt to redesign institutions which regulate how interest groups interact with the government. During the formative years 1975 – 1985 corporate interest groups managed to do so. They redesigned important institutions, or block the altering of institutions by unions, and secure that the conversion of power resources into political influence in the United States was favorable to themselves. This secured the capacity of corporate interest groups to reproduce policies that are aligned with their respective objectives in the future. In other words, because corporate interest groups were in a prominent position they were able to alter the rules regulating how interest groups influence the policy formation process and increased their future influence.

Two examples were used of how corporate interests groups solidified their future prominence in the American policy formation process: the structure of American interest representation and the regulations on the conversion of financial resources into political influence. In the seventies, corporate interests were threatened by the socialization of economic issues. The tripartisme set up by President Nixon gave organizations representing workers and corporations a voice in economic policies. Corporations resisted this socialization and chose an adversarial stance. Consultation and compromise was forgone in favor of a contest for influence. The choice for a contest instead of cooperation was a safe bet given the organizational advantages of corporate interest groups. Advantages that were expected to increase over time. To optimize the effectiveness of their organizational advantage, corporate interest groups also pushed for less restrictions on financial contributions. With little restrictions on financial contributions, corporate interest groups could effectively use their financial advantage over social movements or unions. Thus, removing restrictions on money in politics created an environment that was friendlier to corporate interest groups than to other groups. Moreover, corporate interest groups were guaranteed access to politicians once it became necessary for every politician to raise large sums of money for his or her campaign. As the old saying goes: He who pays the piper calls the tune.

The prominent position of corporate interest groups in the American political system is not only the result of their advantage in organizational capabilities. Because of the influence they gained, corporate interest groups were able to redesign parts of the American political system, i.e. the political institutions. Those alterations made the system friendlier to them and less to rival interest groups. This led to an exponential increase in corporate influence. Both the power resources of corporate interests increased and the conversion of these power resources into political influence was improved. The two parts of the feedback process, resources and institutions, function as multipliers. The combination of alterations in the power relation and institutions created an ever more stable path of influence.

Implications and Further research

The described policy patterns and the role of institutional alterations in repeating policy choices is only a small first step. In this paper the theoretical background and functioning of institutional alteration have been described. There are however several questions left unanswered.

Two elements of the linkage between interest groups and the political process interaction are explored in this paper. It concerns an unstructured relationship between interest groups and the government, and the financial contributions of interest groups to the political process. These are the more obvious inclusions. The implications of the two choices had already been theorized and could be used. There are, of course, more options available to interests groups than the two options applied in this study. If, and how, interest groups can utilize institutional alterations like fragmentation of the political system is not yet fully theorized. Examples of this could be the number of veto points or bureaucratic discrepancies in the political arena. More research into the effects of such issues on the political system and which groups benefit from this is desirable.

It is also necessary to increase the scope of the research, both in terms of time and countries. The developments in the United States during the late seventies might have been instrumental in the subsequent policy pattern, but changes during later stadia of the pattern should also be part of the research. It is important to examine if comparable institutional changes have been realized in a later stage of the process. A continued pressure on institutions and, sometimes, alteration of the institutions into the same direction would demonstrate the relevance and value of these alterations. It is also important to include more countries in the research. The institutional alterations described in the United States, or comparable in terms of effect, should also be visible in other Anglo-American countries. It is expected that a comparable pressure to redesign institutions should be present in the United Kingdom, Canada and Australia. The Nordic countries should have experienced different institutional developments. The expectation is that the institutions in those countries were altered to compensate for developments in their society, and neutralized, to a certain extent, the difference in resources between social groups.

The notion that alterations to the rules of the game are an important prize for groups is already present in path dependence literature (Hacker and Pierson 2014, 649). However, this concept is underdeveloped. In the literature it is not much more than a "lock-out" mechanism that ensures path dependence by making future alterations impossible (Pierson 2000, 262). In reality many more nuanced alterations to how decisions are reached can be made. This mechanism is especially important and potent in politics. As stated earlier, in politics the rules of how decisions are made are endogenous to the policy formation process. In the economy, where the mechanism of path

dependence was first developed, this is absent. Besides the central role of collective action problems, the high density of institutions, asymmetrical political authority and power and the opacity of politics alternations to the decision making process itself could also be reasons why a positive feedback process is often present in politics. More research is needed to identify which changes in rules are used to increase the chance of reproduction of choices and how different groups can use such alterations to their advantage.

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